

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: MICHAEL W. MORRISON**

**DATE: APRIL 18, 2016**

**RE: AVISTA CORPORATION'S APPLICATION TO UPDATE ITS  
ELECTRIC LINE EXTENSION SCHEDULE 51,  
TARIFF ADVICE NO. 16-01**

### **BACKGROUND**

On March 11, 2016, Avista Corporation ("Company") filed an Application with the Idaho Public Utilities Commission ("Commission") proposing updates to the charges and allowances outlined in its Line Extension, Conversion, and Relocation Schedule 51. In Order No. 28562, issued November 27, 2000, the Commission directed Avista to update its Schedule 51 charges on or before April 1 of each year. In Order No. 33031, issued April 30, 2014, the Commission directed the Company to update its Schedule 51 allowances after each general rate case. The Company's last general rate case was concluded in December 2015. The purpose of this filing is to update line extension charges and allowances that apply to new residential, commercial, and industrial customers. The Company requests an effective date of May 2, 2016.

### **STAFF ANALYSIS**

Developers and individual customers requesting line extensions are assessed a basic cost that may be partially or wholly offset by an allowance. In its Application, the Company explains that it uses recent average actual costs of facilities such as transformers and conduit to establish the basic costs set forth in Schedule 51. Customers may be assessed additional charges for exceptional costs of labor and materials not reflected in the basic costs, for additional work requested by the customer, or for the customer's share of a previous extension. These costs may

be reduced when the Company is able to use lower cost construction methods, or when some work, such as trenching, is performed by the customer.

The Company determines allowances using an embedded cost methodology designed to ensure that the investment in each new customer's distribution and terminal facilities will equal those embedded costs used to calculate base rates.

### **Basic Costs**

Basic costs have fixed and variable components, with variable components stated on a cost-per-foot basis. Staff reviewed the Company's proposed basic cost adjustments. The increased costs of 45 foot poles, anchor plates, and down-guy kits were the primary causes of a 4.25 percent increase in Overhead Primary Circuit fixed costs. Underground Primary and Secondary circuit fixed costs increased, respectively, 4.26 percent and 6.39 percent. These adjustments were due almost entirely to labor rate increases specified by a union labor contract that became effective in mid-2015. Staff concurs with the Company's Basic Cost adjustments.

<u>Single Phase</u>	<u>Present</u>	<u>Proposed</u>
Overhead Primary Circuit		
Fixed Cost	\$ 3,926	\$ 4,093
Variable Cost	\$ 7.63	\$ 7.97
Underground Primary Circuit		
Fixed Cost	\$ 1,737	\$ 1,811
Variable Cost	\$ 9.91	\$ 10.35
Underground Secondary Circuit		
Fixed Cost	\$ 376	\$ 400
Variable Cost	\$ 9.23	\$ 9.38
Overhead Service Circuit		
Variable Cost Only	\$ 3.08	\$ 3.24
Underground Service Circuit		
Variable Cost Only	\$ 8.33	\$ 8.76
Overhead Transformer		
Fixed Cost Only	\$ 2,296	\$ 2,294
Padmount Transformer		
Fixed Cost Only	\$ 2,983	\$ 2,986

### **Allowances**

Allowance can be used to offset basic and exceptional costs. The Company proposes a 12.5 percent increase in Schedule 1 (Residential) allowances, and increases of up to 4.95 percent in the per-kWh rates used to compute allowances for Commercial and Industrial customers. The Company explains that these changes are almost entirely due to changes in plant balances and Cost-of-Service allocators that were updated as part of the Company's last General Rate Case (Case No. AVU-E-15-05). Staff carefully reviewed the Company's methodology, and concurs with the Company's proposed allowances.

<b><u>Service Schedule</u></b>	<b><u>Present</u></b>	<b><u>Proposed</u></b>
Schedule 1 (Individual Customer)	\$ 1,550	\$ 1,745
Schedule 1 (Duplex, per unit)	\$ 1,240	\$ 1,395
Schedule 1 (Multiplex, per unit)	\$ 930	\$ 1,045
Schedule 11/12 (per kWh)*	\$ 0.12868	\$ 0.13505
Schedule 21/22 (per kWh)*	\$ 0.11874	\$ 0.11839
Schedule 31/32 (per kWh)*	\$ 0.19279	\$ 0.20217

\*The total allowance for Commercial and Industrial customers is determined by multiplying the customer's estimated annual consumption by the per kWh allowance.

### **Residential Developments**

For residential developments, the basic cost is computed by subtracting the average service circuit cost from the average total cost per lot. The developer may apply for a rebate, equal to the basic per-lot cost, for each customer taking service within five years of the date that the extension was completed.

The builder is responsible for paying the difference between the average total cost per lot and the applicable allowance. Currently, this payment is \$155. Under the Company's proposal, the builder's payment would become zero because the Company's proposed allowance exceeds the average total cost per lot. Staff analyzed the Company's methodology, and determined that it is consistent with the methodology prescribed by Commission Order No. 28562.

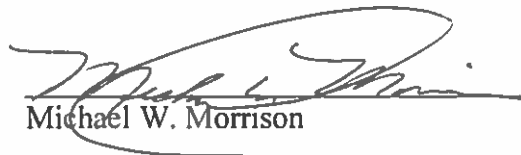
	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 1,705	\$ 1,731
Less: Service Cost	<u>\$ 485</u>	<u>\$ 439</u>
<b>Developer Responsibility</b>	<b><u>\$ 1,288</u></b>	<b><u>\$ 1,292</u></b>
Developer Refundable Payment	\$ 1,288	\$ 1,292
Builder Non-Refundable Payment	\$ 155	\$ -
Allowance	\$ 1,550	\$ 1,745

### STAFF RECOMMENDATION

Staff believes the Company's proposals to be reasonable, and in conformance with Commission Order Nos. 28562 and 33031. Staff recommends that the Company's proposed 2016 Schedule 51 tariff update costs and allowances be adopted.

### COMMISSION DECISION

Does the Commission wish to approve the Company's proposed Schedule 51 tariff update with an effective date of May 2, 2016?



Michael W. Morrison

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